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1965 ANNUAL REPORT

YEAR ENDED FEBRUARY 28

Canadian Cannery Limited





CANADIAN CANNERS LIMITED

DIRECTORS

WM. HERBERT CARR - - - San Francisco, California
J. E. COUNTRYMAN - - - San Francisco, California
L. M. CRANDALL - - - - - Pembroke, Ontario
W. I. DRYNAN - - - - - Hamilton, Ontario
G. ARNOLD HART - - - - - Montreal, Quebec
L. H. JOHNSTON - - - - - Hamilton, Ontario
R. G. LUCKS - - - - - San Francisco, California
R. M. MAPP - - - - - Hamilton, Ontario
A. L. NELSON - - - - - Hamilton, Ontario
LEONARD A. PHILIP - - - - - Toronto, Ontario
H. G. STAPELLS, Q.C. - - - - - Toronto, Ontario
R. B. YERBY, JR. - - - - - San Francisco, California

OFFICERS

J. E. COUNTRYMAN - - - - - Chairman of the Board
W. I. DRYNAN - - - - - President
L. H. JOHNSTON - - - - - Executive Vice-President
R. M. MAPP - - - - - Vice-President Marketing
A. L. NELSON - - - - - Vice-President Production
T. V. MCGINN - - - - - Secretary-Treasurer
R. FOX - - - - - Controller
A. L. CROCE - - - - - Assistant Secretary
T. H. DAVIES - - - - - Assistant Secretary

HEAD OFFICE

44 Hughson Street South, Hamilton, Ontario

SUBSIDIARY COMPANIES

AYLMER FOODS WAREHOUSING LIMITED

W. I. DRYNAN, President
E. JONES, Manager

BOESE FOODS LIMITED

W. I. DRYNAN, President
JOHN BOESE, General Manager

CANNERS MACHINERY LIMITED

W. I. DRYNAN, President
G. P. BLIGHT, General Manager

WAGSTAFFE LIMITED

C. R. DRYNAN, President and General Manager

WALMER TRANSPORT COMPANY LIMITED

W. I. DRYNAN, President
G. L. FURNESS, Manager

REGISTRAR AND TRANSFER AGENTS

Royal Trust Company, Toronto and Montreal

TRUSTEE FOR DEBENTURE HOLDERS

Canada Permanent Trust Company

AUDITORS

Price Waterhouse & Co.

ANNUAL MEETING

June 18, 1965, 3:00 p.m. (E.D.S.T.), Head Office

DIRECTORS' REPORT TO SHAREHOLDERS

Consolidated earnings for the year ended February 28, 1965 were \$2,111,640 or \$1.50 per A and B share compared with \$1,780,686 or \$1.27 per A and B share for the preceding year. Consolidated net sales totalled \$47,954,196 an increase of \$4,711,445 or 11% over the previous year.

As in prior years the provision for depreciation for reporting of earnings has been computed on a straight line basis and maximum capital cost allowance has been provided in calculating the income tax provision for the year. As a result of this practice the provision for income taxes for the current year reflects a reduction in income taxes otherwise payable of \$519,000 (see note 1 to financial statements).

All of the outstanding capital stock of Boese Foods Limited was purchased as of March 15, 1964 and the earnings and sales of this company are included from the above date.

The capital structure of the company has 1,404,411 issued and outstanding common shares, all with equal voting rights of which 33 1/3% are Class A shares held by 3,800 Canadian shareholders and the balance are Class B shares substantially all of which are owned by California Packing Corporation. Dividends at the rate of 75c per share per annum have been paid on the Class A shares from the date of issue October 1, 1956 to January 1, 1965. No dividends have been paid on the Class B shares from the date of issue October 1, 1956. The Class B shares are entitled to dividends accumulating from date of issue at the rate of 75c per share per annum and aggregate unpaid dividends on the Class B shares amounted to \$5,793,000 at January 1, 1965.

Strong competitive pricing conditions continued throughout the canned food industry during the past year. However, industry production in 1964 was reasonably well balanced with marketing requirements. Improved price stability and increased volume for many products contributed to the additional earnings.

The new AYLMEER label introduced early in 1964 was well received by the trade and consumers. The new label design "The Brand with the Bright Red Band" has successfully provided the company with the opportunity to present all our AYLMEER products to consumers with a strong unified appearance.

During 1964 we redesigned the label for our low calorie product line. The new label "Diet De Luxe" is illustrated on the last page of this report and we have received good acceptance of this new look from the trade and consumers. Additional items have been added to this low calorie product line during the year which now includes an extensive group of fruit, fruit drink, soup, pickle and jam spread products.

The production and distribution in Canada of our DEL MONTE vegetables and fruit drinks has been expanding each year with the past year again showing an increasing demand from Canadian consumers for these products.

Export sales in reasonable volume are continuing in the United Kingdom, West Germany and West Indies markets but competition from lower cost producing countries restricts the extension of our markets to other areas.

Our operating subsidiaries — Wagstaffe Limited, Boese Foods Limited, Walmer Transport Company Limited, Cannery Machinery Limited and Aylmer Foods Warehousing Limited — have all contributed to the consolidated earnings and continue to supply quality products and efficient services to their customers.

Manufactured goods inventories have increased \$1,600,000 over last year reflecting the inventory of

Boese Foods Limited and increases required to ensure continuity of supply in our expanding market. The inventories are generally in favourable balance in relation to marketing requirements to 1965 pack dates except for certain tomato products which are in short supply because of unfavourable weather during the 1964 harvesting period. The supplies inventories show little change comparing the two years and are necessary for seasonal requirements.

Capital expenditures during the year of \$1,333,000 were made for additional and replacement equipment to improve existing plant facilities and capacities.

It is presently indicated that there may be a serious shortage of available labour for the harvesting and packing of produce, particularly tomatoes and orchard fruits, during the 1965 production season. An intensive co-operative effort will be required from growers, processors and government agencies in order to meet the 1965 labour requirements of growers and processors. In an effort to provide relief in this situation the company is establishing seasonal labour camps at principal Ontario plants.

The increase in 1965 raw produce prices established to date combined with increased wages and container costs will result in substantially higher industry finished product costs for the 1965 pack. Unless these increased costs are reflected in selling prices the present level of margins in the industry cannot be maintained.

A very grave situation presently exists in the Canadian fruit processing industry. The selling price of many Canadian processed fruit products is directly influenced by the selling price of imported products. Canadian processors pay considerably higher prices for raw produce than do competing foreign processors and current selling prices do not yield a satisfactory margin to the Canadian processor.

The results of a recent plebiscite of fruit growers, under the jurisdiction of the Ontario Farm Products Marketing Board, indicate that the Ontario Tender Fruit Growers' Marketing Board will be delegated the full authority for the setting of prices for tender fruits sold to the processing industry. Previously, the raw produce fruit prices were established by negotiation and/or arbitration between growers and processors collectively. The Canadian fruit growing and processing industry may be confronted with more serious difficulties unless the Ontario Tender Fruit Growers' Marketing Board exhibits a realistic approach in setting raw produce fruit prices under this expected new authority.

Our company has appreciated the working co-operation between growers and our agricultural service departments in providing produce of good quality during the past season. We look forward to a continuation of this relationship in the agricultural communities as the consumer acceptance of our products packed from Canadian grown produce continues to increase.

The past year has been a busy one for our employees in the many phases of our operation and we appreciate their continued loyalty and support.

Continuing a long-established policy, following the Annual Meeting employees who have completed 25 years of continuous service with the company will be recognized by the gift of a gold watch.

Respectfully submitted,

For the Board of Directors,	
J. E. COUNTRYMAN,	W. I. DRYNAN,
Chairman.	President.

Hamilton, Ontario,
April 23, 1965.

ASSETS

	<u>1965</u>	<u>1964</u>
Current Assets		
Cash	\$ 18,934	\$ 11,340
Accounts receivable	4,865,950	3,591,763
Inventories of merchandise, materials and supplies valued at the lower of cost or market	19,754,546	17,896,047
Costs allocable to future operations	736,353	678,436
	<u>25,375,783</u>	<u>22,177,586</u>
 Fixed Assets		
Land, buildings, plant and equipment, based chiefly on appraised sound values as reported by Can- adian Appraisal Company, Limited, in 1923, plus subsequent additions at cost	30,086,041	27,812,528
Less — Accumulated depreciation	16,682,634	15,716,538
	<u>13,403,407</u>	<u>12,095,990</u>
 Intangibles		
Brand names, trade marks, patents, processes, goodwill, etc.	3,242,620	3,242,620
	<u>3,242,620</u>	<u>3,242,620</u>
 Approved on Behalf of the Board		
W. I. DRYNAN, Director		
L. H. JOHNSTON, Director		
	<u>\$42,021,810</u>	<u>\$37,516,196</u>

NOTES

1.—The companies have followed the practice for a number of years of claiming for income tax purposes maximum capital cost allowances which are in excess of depreciation recorded in the accounts. For the year ended February 28, 1965, such claims have resulted in a reduction of \$519,000 in income taxes otherwise payable. The cumulative amount by which income taxes have thus been reduced is approximately \$2,212,000.

2.—The holders of Class A Common Shares are entitled to cumulative cash dividends at the rate of 75c per share per annum in priority to any dividends on the Class B Common Shares and dividends at the rate of 75c per share have been paid on the Class A Common Shares up to January 1, 1965. Subject to the prior rights of the Class A Common Shares, the holders of Class B Common Shares are entitled to cash dividends accumulating from the date of issue on October 1, 1956 at the rate of 75c per share per annum and the aggregate unpaid dividends on Class B Common Shares amount to \$5,793,000 at January 1, 1965. After the Class B Common Shares have received payment of all accumulated dividends, Class A and B Common Shares share equally in any dividends in excess of 75c per share per annum.

BALANCE SHEET

8, 1965

LIABILITIES

	<u>1965</u>	<u>1964</u>
Current Liabilities		
Bank and other advances	\$ 4,613,942	\$ 3,019,753
Accounts payable and accruals	3,410,700	2,789,435
Income taxes payable	1,096,158	255,972
Other taxes payable	53,391	48,954
Debenture payments due within one year . . .	315,000	315,000
	<u>9,489,191</u>	<u>6,429,114</u>
Sinking Fund Debentures (exclusive of payments due within one year)		
3¾% maturing January 15, 1970	2,200,000	2,375,000
5% maturing June 15, 1973	2,740,000	2,880,000
	<u>4,940,000</u>	<u>5,255,000</u>
Shareholders' Equity		
Capital Stock (Note 2)		
Class A Common Shares without nominal or par value		
Authorized — 1,000,000		
Issued — 468,137	2,098,842	2,098,842
Class B Common Shares without nominal or par value		
Authorized — 2,000,000		
Issued — 936,274	4,197,685	4,197,685
	<u>6,296,527</u>	<u>6,296,527</u>
Earnings Retained and Used in Business	21,296,092	19,535,555
	<u>27,592,619</u>	<u>25,832,082</u>
	<u>\$42,021,810</u>	<u>\$37,516,196</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the Consolidated Balance Sheet of Canadian Canners Limited and its subsidiary companies as at February 28, 1965 and the Consolidated Statement of Earnings and Earnings Retained and Used in Business for the year ended on that date and have obtained all the information and explanations we have required. Our examination was made in conformity with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying Consolidated Balance Sheet and Consolidated Statement of Earnings and Earnings Retained and Used in Business are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at February 28, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, April 23, 1965.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS *and Earnings Retained and Used in Business*
year ended February 28, 1965

	<u>1965</u>	<u>1964</u>
Net Sales	\$47,954,196	\$43,242,751
Costs and Expenses		
Costs and expenses, excluding items listed below	43,330,550	39,886,935
Depreciation	988,058	871,161
Debenture interest	236,152	251,725
Executive salaries and legal fees	158,796	148,244
Directors' fees	4,000	4,000
	<u>44,717,556</u>	<u>41,162,065</u>
Earnings before income taxes	3,236,640	2,080,686
Provision for income taxes (Note 1)	1,125,000	300,000
Earnings for year	<u>2,111,640</u>	<u>1,780,686</u>
Earnings retained, beginning of year	19,535,555	18,105,972
	<u>21,647,195</u>	<u>19,886,658</u>
Dividends on Class A common shares	351,103	351,103
Earnings retained, end of year	<u><u>\$21,296,092</u></u>	<u><u>\$19,535,555</u></u>



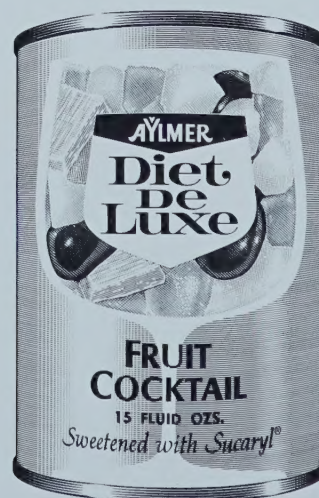
IN THE SUMMER OF 1964,

Canadian Cannery Ltd. launched an advertising and sales promotion campaign to introduce to Canadian consumers the new name and label for its line of sucaryl sweetened products, **Aylmer Diet De Luxe!**

This name was chosen because it suggests good eating, sound dieting and yet has none of the medical connotations erroneously associated with the old name, special diet products.

The bright modern label is the result of an intensive Package Research programme which has produced a truly distinctive design. The gold background colour and fine lettering give an impression of quality, lightness and sophistication. This is further enhanced by the attractive vignette, a colourful aid to rapid product identification.

Since its introduction Aylmer Diet De Luxe has arrived in the diet section of practically every major supermarket in Canada. Every day more and more Canadians have discovered "flavour so great you'll never know you're cutting calories!" means this and much more when you use Aylmer Diet De Luxe fruits, spreads and pickles.



*Man's toil under tall skies
A warming sun, life-giving rain
Upon a fertile soil*

**IS STILL OUR BASIS
FOR BUSINESS GROWTH**

